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EQUIPMENT DEALERS

1985 COST OF DOING BUSINESS STUDY

AGRICULTURAL • INDUSTRIAL • OUTDOOR POWER EQUIPMENT

SERVING AGRICULTURAL, INDUSTRIAL AND OUTDOOR POWER EQUIPMENT DEALERS THROUGHOUT NORTH AMERICA

SALES/MARGINS/EXPENSES/NET PROFIT/FINANCIAL RATIOS
BALANCE SHEET DATA/EMPLOYEE STUDIES

NATIONAL FARM & POWER EQUIPMENT DEALERS ASSOCIATION
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FOREWORD

As in each year since 1947, special questionnaires were mailed early in the year to approximately 10,000 U.S. and Canadian agricultural and industrial equipment dealers as well as to selected non-member U.S. outdoor power equipment dealers. Direct mailings of the forms were made from the National Association headquarters in St. Louis and support mailings were made by cooperating affiliated state and regional associations.

The questionnaires conform to all of the widely-used dealer accounting systems and were designed to secure significant informaton on departmental sales and margins, a breakdown of dealer overhead, and balance sheet and emplcyee data.

Hundreds of responses were received in the mail survey. In addition, most of the dealers currently using association computer accounting systems throughout the U.S. were included. Publication of this study is made possible only through the cooperation of dealers and their bookkeepers who furnished comprehensive departmental operating information and the detailed balance sheet and expense breakdowns. Sincere thanks plus a free copy of this booklet are due those who took time out of busy schedules to compile information for this important project.

Number of returns received from all classes of dealers in each of nine U.S. regions (identified on page 14) and Canada are listed below:

	No. of Dealer-Members	No. of Dealer Participants	% of Dealer Member Response
Region 1	976	130	13.3%
Region 2	868	93	10.7
Region 3	875	86	9.8
Region 4	856	81	9.5
Region 5	954	148	15.5
Region 6	980	139	14.2
Region 7	768	106	13.8
Region 8	783	112	14.3
Region 9	712	105	14.7
Canada	1,187	98	8.3
	8,959	1,098	12.3

Major-line dealer representation in the 1984 Cost of Doing Business was also in almost direct proportion to the respective counts of major-line dealer membership in the National Association.

The number of agricultural dealer participants by sales volume category were as follows:

	1985		1984	
Sales Volume	No. of Dealers	% of Total	No. of Dealers	% of Total
To $1 Million	190	19	253	22
$1 Million to $2 Million	380	38	350	31
$2 Million to $3 Million	214	21	252	22
$3 Million and over	218	22	270	25
	1,002	100	1,125	100

In addition, 61 industrial dealers and 35 outdoor power dealers responded to the survey.

Operating studies by geographical region for agricultural dealers are shown on pages 12-13.

Combined total retail sales of dealers responding in the survey were in excess of $2,000,000,000.

Separate studies of agricultural, industrial and outdoor power dealers are shown on pages 6 and 7. Dealers were classed as agricultural, industrial or outdoor power if 50 percent or more of their equipment sales in the year were these classes of goods.

HIGH-PROFIT STUDIES

Returns used in compiling averages of high-profit dealers represent approximately one-fourth of the particular group. To arrive at these figures, the questionnaire returns were first ranked according to percentage of net profit (or loss) to sales, from the highest profit downward. The best one-fourth of the returns in the array were then selected to be these tabulations — a most interesting and valuable part of the Cost of Doing Business Study.

PERCENTAGE CALCULATIONS

All percentages shown in operating studies are in relation to sales. They are computed by dividing the dollars of margin or expense by sales.

In the case of margins, each item is divided by sales of the particular department to arrive at the percentage of margin for the department. Total margin divided by total sales gives the percentage of margin on the composite of all sales.

Percentages shown for expenses are in relation to total sales. Again, the dollar amount for each item is divided by total sales to arrive at the percentage.

Operating percentages are important since they reflect the degree of operating efficiency. These figures are the true test of performance and serve as a sound basis for accurate comparison regardless of sales volume.

Individual dealer financial and operating information is held in strictest confidence at the National Association headquarters. All of the editing and coding of reports are performed "in house" and completely tabulated in NFPEDA's own computer.

1985 COST OF DOING BUSINESS

Following is a summary of the results of the 1985 Cost of Doing Business Study which was compiled by the National Association from a direct-mail survey of its dealer-members throughout the United States and Canada.

One thousand and two (1,002) agricultural dealers participated in the study by submitting departmentalized financial and operating information to the Association. In addition, there were 61 industrial and 35 outdoor power equipment dealers participating, for a grand total dealer-member participation of 1,098, compared to 1,221 a year ago.

All of the participating dealers will be receiving a completely detailed summary of the study in booklet form. Dealers who did not participate may purchase a copy of the booklet from their state or regional association office.

In 1985, the average dealer earned a net profit of 1.15% on total sales and 5.83% return on his investment in the dealership. These results are not good at all. The best that can be said, is that they are an improvement over the prior year, when profit on sales was 0.78% and return on investment was a mere 4.52%.

Back of the profit picture are margin and expense figures which show very little improvement from the prior year. For example:

New and Used Equipment:

On total sales of new and used, the 1985 margin was 6.83%, compared to 6.56% a year earlier — a small improvement, but still a "plus." (There is little to gain in analyzing margins on new and used separately, since there are wide variations in practices among dealers in treatment of overallowances.)

Repair Parts:

The margin in 1985 was 29.62%, compared to 30.29% in the prior year — a deterioration of 0.67% margin and only 2.2% off in comparison to the year earlier.

Service Labor: A substantial improvement occurred in margins produced in the service department of the average dealer. The 1985 margin was 45.13% of service sales, as compared to 42.66% in the prior year. This represents an improvement of 2.47 percentage points, which is 5.8% better than the previous year.

Other Lines:

This item of the study, representing, as it does, a diversity of products (and services) handled by dealers, showed a margin of 11.79% on sales in 1985, compared to 12.19% in 1984. This is a slight decrease in margin earnings on a segment of the business which represents only 4% of total sales of the average dealer. It had little impact on the total business performance.

Rental-Lease Income:

It is assumed that many dealers reporting in the Cost of Doing Business Study, do not segregate rental or lease income, but combine it with the total sales of new or used equipment on the reporting form. Therefore, great variations in this figure from one year to the next might well be expected.

This was the year for a large negative swing. Average dealer income amounted to $17,087, compared to the prior year figure of $44,693. Margin in 1985 was 45.52% of rental-lease sales, compared to 18.26% in the prior year. Again, the overall impact on national average dealer margins and profits was minor, since the item amounted to only 0.77% of total sales.

Total Operating Margin:

Summing all of the above, the 1985 margin on total sales was 15.70%, compared to the prior year record of 14.61%. The improvement was 1.09 percentage points and 7.46% better than the prior year.

Profitability vs. Sales Volume Size

What was said a year ago about profits, margins and expenses shown for average dealers in each of the four sales volume groups, can be repeated word for word in the 1985 figures: Large-volume dealers were again the best in profit performance, the poorest in margins earned and the best in expense ratio to total sales. Smaller dealers were the exact opposite, having the poorest profit performance, the best in margins earned and the poorest in expense ratio to total sales.

Margins earned on wholegoods in 1985 was also a study in regression, as the smaller dealers earned better percentages than the larger dealers. From the low end of the volume scale, Group "A" dealers earned 8.27% margin on wholegoods sales, while Group "D" dealers, at the high end, earned only 6.11% margin on wholegoods.

The following table illustrates these trends in the four areas of profits, margins, wholegoods margins and expense ratio to total sales, for the four volume groups:

	Dealer Sales Volume Groups			
	Group "A" Sales Under $1Mil	Group "B" Sales $1Mil to $2Mil	Group "C" Sales $2Mil to $3Mil	Group "D" Sales Over $3Mil
rofit % of Sales	0.09%	0.24%	1.07%	1.81%
Margin % of Sales	19.10	17.54	15.90	14.22
Wholegoods Margin %	8.27	8.10	6.78	6.11
Expense % of Sales	22.19	19.94	17.29	14.94

Profitability vs. Geographic Regions

Dealers in the Northeast, from Virginia northward to Maine, fared the best in profit on sales in 1985, earning an average of 2.47% of sales. This record compares most favorably with the prior year figure of 1.05% of sales. A strong second in profit performance was run by dealers reporting from Indiana, Ohio and Kentucky, who showed a 2.34% average profit on sales, and a strong third by dealers in Canada with 2.32%.

Results were mixed in the heart of America, the "corn and beans" section of the country. Generally, dealers in that area are still on very hard times, but showed dramatic improvement over a year ago. For example, in some states where the average dealer lost money a year ago,

figures on the profit side were now showing up in 1985. Dealers in the Illinois-Michigan-Wisconsin region seemed to be worse off in 1985, as average profits dropped to 0.52% of sales in 1985, where a year ago they were showing a profit of 1.35% of sales.

The very large region, which is comprised of all the states from Montana, Wyoming, Colorado and Arizona, westward to the Pacific Coast, showed average dealer profits dropping off by major proportions in 1985. Profit on sales was 0.77%, as compared to a year ago record of 1.85%.

The region which is comprised of the Mid-South and Southwest Associations held steady on profits from 1984 to 1985. The 1985 was average dealer profit was 1.20%, up slightly from 1.16% in the prior year.

The region embodying the Southeastern section, extending from Louisiana on the west, eastward to Florida, and northward to the Carolinas, showed a 1985 average profit of 1.57% on sales. This was down substantially from the 2.52% record shown in the prior year.

Interest Expense

Cost of money used in floor planning, and other phases of the dealership, is becoming substantially more favorable for the average dealer. The national average interest expense (other than on real estate mortgages, which is charged to the rental or occupancy account) was 1.18% of sales, compared to 1.48% in the prior year. The decline of 0.30 percentage points appears small, but this amounts to a very real 20.3% below a year ago, which would be approximately $7,400 to a dealer with sales volume of $2.5 million.

Again, interest expenses are shown to be lower as dealer sales volume size increases. For example, Group "A" dealers had an expense of 1.95% of sales, which was the highest of the four groups, while Group "D" dealers showed 0.85% of sales on this item, which was lowest of the groups.

Parts and Service

A review of margins earned on parts sales in 1985, compared to 1984, reveals little significance and no standard pattern between volume groups. Parts margins appear to be holding their own.

Margins on service, however, do trend higher with dealer sales volume. Small dealers in Group "A" earned 41.16% on service sales, compared to 45.13% for large dealers in Group "D". It is also significant that the largest dealers had the greatest improvement in percentage of margin between 1984 and 1985, going from 43.99% of sales to 47.33% of sales in the year. This is an increase of 3.34 percentage points, and represents an improvement of 7.6% over the prior year.

Salaries and Wages

Total salaries and wages (except service mechanics) paid by the average dealer in 1985 amounted to 6.07% of sales, which is an increase of 0.54 percentage points, and a 9.76% rise for the year — a substantial item.

Adding in employee benefits (payroll taxes, group insurance and pension expenses) brings the total wage and benefit package to 7.8% of sales, up from 7.03% in 1984.

Above salary figures include salaries of officers and owners. Eliminating these for purposes of more precise comparison of costs for hired employees, gives a total wage and benefit package of 6.0% of sales in 1985, compared to 5.36% in the prior year.

Dealer Balance Sheets

Dealers reporting in the 1985 survey appear stronger than the year-ago average. Total cash and receivables are up in proportion to total assets, rate of inventory turnover shows some improvement and the net worth ratio has gone from 23.33% of total assets in 1984, to 28.02% in 1985. At the end of 1985, outside capital employed in the average reporting dealership, amounted to 71.98% of total employed capital, while 28.02% was the dealer's contributed capital.

Wholegoods inventories are still too large, showing up in sluggish turnover. Turnover of parts inventories improved from 1.79 times turn in 1984, to 1.87 times turn in 1985.

Industrial and Outdoor Power Equipment Dealers

Dealers identifying themselves as industrial or outdoor power equipment dealers, had a better year in 1985 than the average agricultural dealer according to the Cost of Doing Business Study. Industrial dealers were best with a profit on sales of 2.81%, while outdoor power equipment dealers operated at an average of 1.73% of sales.

Participation by industrial and outdoor power equipment dealers was not sufficient for the preparation of regional and volume group analysis.

DEALER BUSINESS TRENDS

(STATISTICS PRESENTED IN CHARTS BELOW ARE FOR THE AVERAGE DEALER FOR THE PAST 10 YEARS.)

FIG. 1
DEALER TOTAL SALES TRENDS

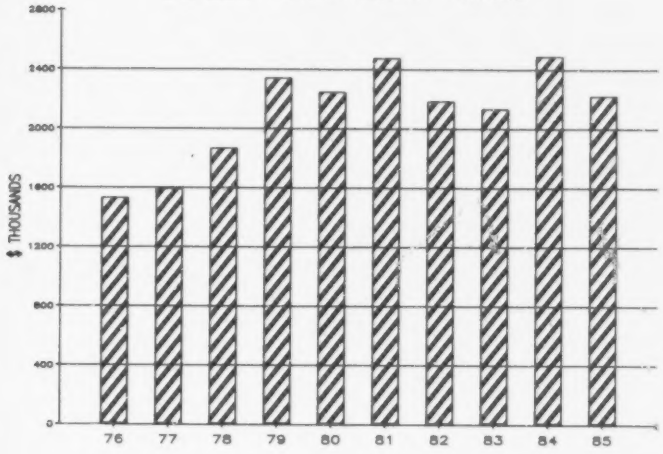


FIG. 2
DEALER MARGIN, EXPENSE & PROFIT TRENDS

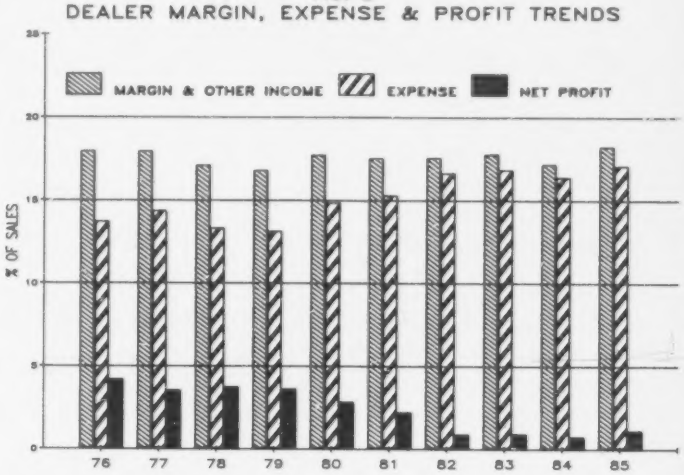


FIG. 3
NEW AND USED EQUIPMENT SALES TRENDS

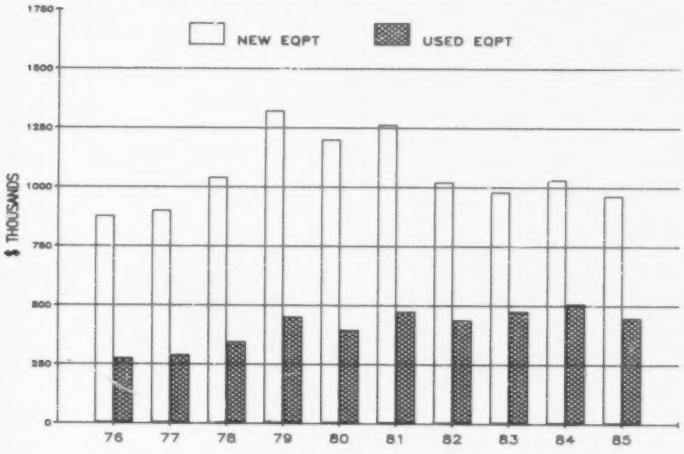


FIG. 4
PARTS–SERVICE–OTHER SALES TRENDS

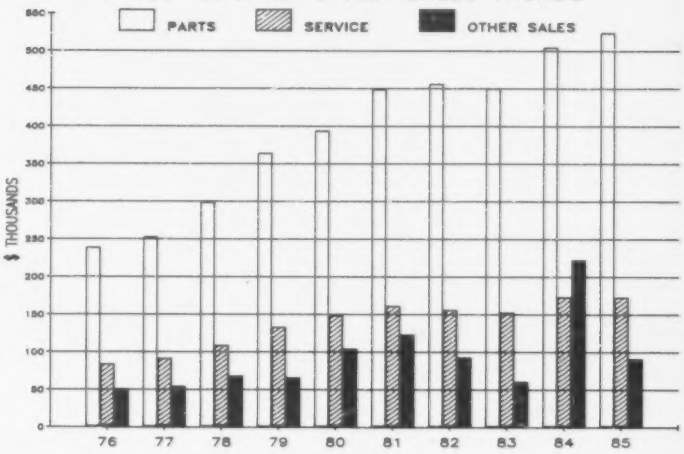


FIG. 5
NEW AND USED EQUIPMENT MARGIN TRENDS

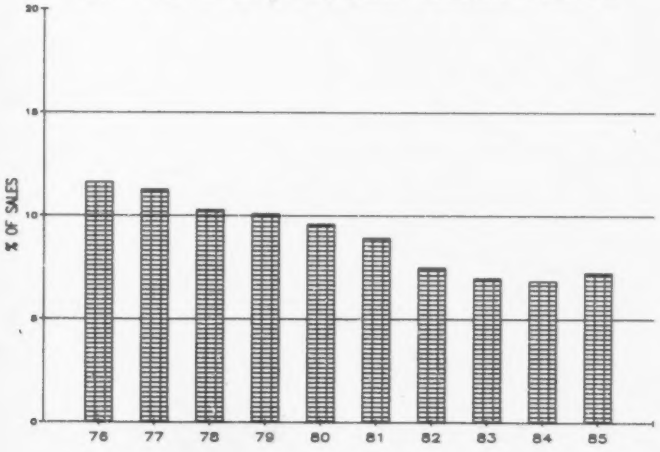
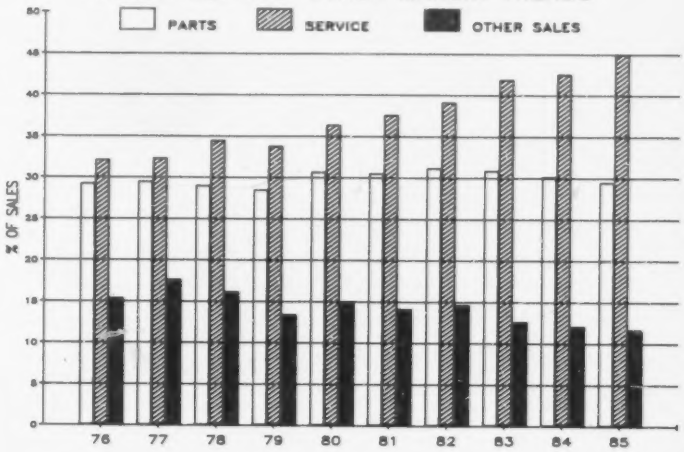


FIG. 6
PARTS–SERVICE–OTHER MARGIN TRENDS



OPERATING DATA — ALL DEALERS

OPERATING AVERAGES	AGRICULTURAL DEALERS		INDUSTRIAL DEALERS		OUTDOOR POWER DEALERS	
	Amount	% Sales	Amount	% Sales	Amount	% Sales
SALES						
New Equipment	$ 970,633	43.44	$1,840,693	49.77	$ 895,247	55.57
Used Equipment	452,965	20.27	423,979	11.46	176,636	10.96
Total New and Used	1,423,598	63.71	2,264,672	61.23	1,071,883	66.53
Repair Parts	526,836	23.58	767,661	20.75	390,459	24.24
Service Labor	174,580	7.81	262,112	7.09	115,577	7.17
Other Lines	92,331	4.13	170,996	4.62	23,611	1.47
Rental-Lease Income	17,160	0.77	233,324	6.31	9,491	0.59
TOTAL SALES	**2,234,505**	**100.00**	**3,698,765**	**100.00**	**1,611,021**	**100.00**
MARGINS						
New Equipment	84,320	8.69	234,298	12.73	110,240	12.31
Used Equipment	12,924	2.85	35,034	8.26	5,308	3.01
Total New and Used	97,244	6.83	269,332	11.89	115,548	10.78
Repair Parts	156,094	29.63	230,886	30.08	110,550	28.31
Service Labor	78,818	45.15	115,032	43.69	50,413	43.62
Other Lines	10,876	11.78	26,283	15.37	3,297	13.96
Rental or Lease Income	7,792	45.41	80,190	34.37	3,410	35.93
TOTAL OPERATING MARGIN	**350,824**	**15.70**	**721,723**	**19.51**	**283,218**	**17.58**
EXPENSES						
Salaries — Salesmen	35,927	1.61	86,206	2.33	29,011	1.80
Travel and Training	4,736	0.21	10,210	0.28	3,012	0.19
Advertising and Promotion	15,817	0.71	27,960	0.76	14,250	0.88
After Sales & Warranty Expense	12,883	0.58	14,372	0.39	3,674	0.23
TOTAL SALES EXPENSE	**69,363**	**3.10**	**138,748**	**3.75**	**49,947**	**3.10**
Salaries — Officers, Owners	40,346	1.81	70,225	1.90	33,074	2.05
Salaries — Partsmen	35,345	1.58	61,282	1.66	30,319	1.88
Salaries — Office and Others	24,059	1.08	48,014	1.30	21,096	1.31
Occupancy Expense	37,639	1.68	64,246	1.74	29,616	1.84
Heat, Light, Power, Water	9,045	0.40	13,979	0.38	8,273	0.51
Telephone and Telegraph	7,987	0.36	16,143	0.44	6,026	0.37
Office & Store Exp., and Postage	14,199	0.64	21,512	0.58	10,858	0.67
Shop Supplies and Expense	9,861	0.44	18,409	0.50	7,539	0.47
Car and Truck Expense	22,048	0.99	38,428	1.04	15,740	0.98
Taxes — Except Payroll & Real Estate	3,458	0.15	8,681	0.23	3,453	0.21
Employee Benefits	38,559	1.73	73,839	2.00	29,704	1.84
Dues and Subscriptions	1,002	0.04	2,016	0.05	1,014	0.06
Insurance — Except Group & R.E.	16,259	0.73	25,927	0.70	13,593	0.84
Legal and Auditing	4,039	0.18	9,348	0.25	3,170	0.20
Interest & Bank Chgs — Except R.E.	26,490	1.19	53,735	1.45	14,451	0.90
Depreciation	14,589	0.65	26,444	0.71	8,607	0.53
Bad Debts	5,599	0.25	12,303	0.33	2,526	0.16
Contributions and Miscellaneous	2,805	0.13	3,344	0.09	1,759	0.11
TOTAL EXPENSE	**382,692**	**17.13**	**706,633**	**19.10**	**290,765**	**18.05**
NET PROFIT ON SALES	**(31,868)**	**(1.43)**	**15,090**	**0.41**	**(7,547)**	**(0.47)**
OTHER INCOME	**57,637**	**2.58**	**88,719**	**2.40**	**35,368**	**2.20**
NET OPERATING PROFIT OR LOSS —Before Income Taxes—	**25,769**	**1.15**	**103,809**	**2.81**	**27,821**	**1.73**

FINANCIAL DATA — ALL DEALERS

BALANCE SHEET AVERAGES	AGRICULTURAL DEALERS Amount	% Total Assets	INDUSTRIAL DEALERS Amount	% Total Assets	OUTDOOR POWER DEALERS Amount	% Total Assets
ASSETS						
Cash and Securities	75,611	4.81	128,274	5.98	73,821	7.33
Customer Receivables	134,619	8.56	273,633	12.77	70,648	7.01
Factory & Other Receivables	27,207	1.73	46,526	2.17	15,152	1.50
TOTAL	**237,437**	**15.10**	**448,433**	**20.92**	**159,621**	**15.84**
INVENTORIES						
New Equipment	703,583	44.75	834,735	38.95	500,685	49.69
Used Equipment	227,959	14.50	197,794	9.23	71,576	7.10
Repair Parts	198,261	12.61	235,196	10.97	135,702	13.47
Other Lines	35,945	2.29	72,512	3.38	22,156	2.20
Rental or Lease	9,043	0.58	101,079	4.72	6,948	0.69
TOTAL INVENTORIES	**1,174,791**	**74.72**	**1,441,316**	**67.25**	**737,067**	**73.15**
TOTAL CURRENT ASSETS	**1,412,228**	**89.82**	**1,889,749**	**88.17**	**896,688**	**88.99**
Fixed Assets	115,199	7.33	202,859	9.46	84,698	8.41
Finance Reserve and Other Assets	44,803	2.85	50,714	2.37	26,216	2.60
TOTAL ASSETS	**1,572,230**	**100.00**	**2,143,322**	**100.00**	**1,007,602**	**100.00**
LIABILITIES AND NET WORTH						
Current Accounts Payable and Accruals	122,262		170,067		43,815	
Floor Plan Notes Payable	783,485		1,054,468		510,482	
Notes Payable — Bank and Other	106,057		85,808		81,637	
Mortgages and Other Long-Term	119,392		207,167		44,951	
TOTAL LIABILITIES	**1,131,196**	**71.95**	**1,517,510**	**70.80**	**680,885**	**67.57**
Net Worth	441,034	28.05	625,812	29.20	326,717	32.43
TOTAL LIABILITIES AND NET WORTH	**1,572,230**		**2,143,322**		**1,007,602**	

FINANCIAL RATIOS	AGRICULTURAL DEALERS	INDUSTRIAL DEALERS	OUTDOOR POWER DEALERS
Current Ratio	1.40 TO 1	1.44 TO 1	1.41 TO 1
Ownership Equity	28.05 %	29.20 %	32.43 %
Net Working Capital Turnover	5.58 TIMES	6.38 TIMES	6.18 TIMES
Inventory to Net Working Capital	2.93 TO 1	2.49 TO 1	2.83 TO 1
Turnover of Total Assets	1.42 TIMES	1.73 TIMES	1.60 TIMES
Return on Total Assets	1.64 %	4.84 %	2.76 %
Return on Net Worth	5.84 %	16.59 %	8.52 %

PERSONNEL DATA	AGRICULTURAL DEALERS	INDUSTRIAL DEALERS	OUTDOOR POWER DEALERS
Average Number of Employees per Dealer	12.50	13.60	11.30
Average Total Sales per Employee	191,886	287,972	179,801
Average Total Assets per Employee	139,950	171,182	115,828
Average Number of Salesmen — Including Owners	2.90	4.70	2.70
Average New and Used Sales per Salesman	492,339	437,017	422,223
Average Number of Partsmen	2.10	3.70	1.90
Average Parts Sales per Partsman	251,158	243,177	214,091
Average Number of Servicemen	5.40	2.00	4.70
Average Service Sales per Serviceman	32,329	120,173	28,676
Average Number of Office Employees	1.50	2.60	1.50
Average Number of Other Employees	0.60	0.60	0.50
Average Wage Rate of Top Mechanic	8.17	10.23	7.53
Average Wage Rate of Regular Mechanic	6.44	6.95	5.99
Average Shop Rate Charged Customers	23.55	24.32	22.85

AGRICULTURAL DEALER OPERATIONS BY SALES VOLUME SIZE

OPERATING AVERAGES	SALES UNDER $1,000,000 AVERAGE Amount	% Sales	HIGH PROFIT Amount	% Sales	YOUR FIGURES Amount	% Sales
SALES						
New Equipment	$259,978	39.79	304,595	44.58		
Used Equipment	91,017	13.93	83,251	12.19		
Total New and Used	350,995	53.73	387,846	56.77		
Repair Parts	220,487	33.75	226,760	33.19		
Service Labor	58,273	8.92	50,843	7.44		
Other Lines	20,318	3.11	15,288	2.24		
Rental or Lease Income	3,244	0.50	2,455	0.36		
TOTAL SALES	**653,317**	**100.00**	**683,192**	**100.00**		
MARGINS						
New Equipment	25,812	9.93	39,985	13.13		
Used Equipment	3,276	3.60	3,376	4.06		
Total New and Used	29,088	8.29	43,361	11.18		
Repair Parts	66,658	30.23	73,632	32.47		
Service Labor	24,081	41.32	20,996	41.30		
Other Lines	2,997	14.75	1,308	8.56		
Rental-Lease Income	2,386	73.55	1,719	70.02		
TOTAL OPERATING MARGIN	**125,210**	**19.17**	**141,016**	**20.64**		
EXPENSES						
Salaries — Salesmen	11,304	1.73	11,223	1.64		
Travel and Training	1,594	0.24	1,789	0.26		
Advertising and Promotion	6,074	0.93	5,921	0.87		
After Sales & Warranty Expense	2,882	0.44	2,656	0.39		
TOTAL SALES EXPENSE	**21,854**	**3.35**	**21,589**	**3.16**		
Salaries — Officers, Owners	15,432	2.36	12,717	1.86		
Salaries — Partsmen	13,334	2.04	12,660	1.85		
Salaries — Office and Others	9,277	1.42	7,613	1.11		
Occupancy Expense	14,364	2.20	10,160	1.49		
Heat, Light, Power, Water	4,445	0.68	3,738	0.55		
Telephone and Telegraph	3,178	0.49	3,171	0.46		
Office and Store Exp., and Postage	4,414	0.68	3,644	0.53		
Shop Supplies and Expense	4,083	0.62	4,129	0.60		
Car and Truck Expense	8,235	1.26	7,650	1.12		
Taxes — Except Payroll & Real Estate	1,401	0.21	1,024	0.15		
Employee Benefits	13,563	2.08	10,219	1.50		
Dues and Subscriptions	533	0.08	600	0.09		
Insurance — Except Group & R.E.	8,515	1.30	7,750	1.13		
Legal and Auditing	1,782	0.27	1,687	0.25		
Interest & Bank Chgs — Except R.E.	12,994	1.99	5,778	0.85		
Depreciation	4,838	0.74	4,366	0.64		
Bad Debts	2,013	0.31	2,173	0.32		
Contributions and Miscellaneous	1,026	0.16	882	0.13		
TOTAL EXPENSE	**145,281**	**22.24**	**121,550**	**17.79**		
NET PROFIT ON SALES	**(20,071)**	**(3.07)**	**19,466**	**2.85**		
OTHER INCOME	**20,882**	**3.20**	**12,451**	**1.82**		
NET OPERATING PROFIT OR LOSS —Before Income Taxes—	**811**	**0.12**	**31,917**	**4.67**		

SALES $1,000,000 TO $2,000,000				SALES $2,000,000 TO $3,000,000				SALES OVER $3,000,000			
AVERAGE		HIGH PROFIT		AVERAGE		HIGH PROFIT		AVERAGE		HIGH PROFIT	
Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
605,360	41.65	616,651	43.23	1,069,514	43.93	1,198,427	48.83	2,128,317	44.58	2,137,347	43.98
269,168	18.52	266,320	18.67	489,336	20.10	433,211	17.65	1,052,390	22.04	1,068,301	21.98
874,528	60.16	882,971	61.90	1,558,850	64.02	1,631,638	66.48	3,180,707	66.62	3,205,648	65.96
402,341	27.68	388,838	27.26	577,366	23.71	528,439	21.53	960,757	20.12	860,206	17.70
122,987	8.46	106,480	7.46	186,981	7.68	162,445	6.62	353,499	7.40	352,200	7.25
43,810	3.01	40,318	2.83	94,037	3.86	111,265	4.53	237,819	4.98	399,134	8.21
9,913	0.68	7,887	0.55	17,596	0.72	20,440	0.83	41,465	0.87	42,577	0.88
1,453,579	**100.00**	**1,426,494**	**100.00**	**2,434,830**	**100.00**	**2,454,227**	**100.00**	**4,774,247**	**100.00**	**4,859,765**	**100.00**
60,318	9.96	82,304	13.35	93,868	8.78	124,929	10.42	167,684	7.88	190,918	8.93
10,513	3.91	28,652	10.76	11,793	2.41	33,500	7.73	26,627	2.53	93,879	8.79
70,831	8.10	110,956	12.57	105,661	6.78	158,429	9.71	194,311	6.11	284,797	8.88
119,803	29.78	116,619	29.99	175,038	30.32	156,310	29.58	278,571	28.99	257,831	29.97
53,214	43.27	44,773	42.05	82,613	44.18	73,225	45.08	167,325	47.33	169,548	48.14
5,366	12.25	6,227	15.44	14,058	14.95	16,356	14.70	24,214	10.18	28,282	7.09
5,689	57.39	5,797	73.50	9,732	55.31	9,652	47.22	14,259	34.39	22,834	53.63
254,903	**17.54**	**284,372**	**19.94**	**387,102**	**15.90**	**413,972**	**16.87**	**678,680**	**14.22**	**763,292**	**15.71**
22,994	1.58	21,274	1.49	38,531	1.58	34,409	1.40	77,324	1.62	66,886	1.38
3,521	0.24	2,850	0.20	5,270	0.22	4,903	0.20	9,061	0.19	7,486	0.15
11,359	0.78	11,131	0.78	17,430	0.72	17,067	0.70	30,479	0.64	26,205	0.54
7,764	0.53	5,295	0.37	13,078	0.54	7,750	0.32	30,309	0.63	20,352	0.42
45,638	3.14	40,550	2.84	74,309	3.05	64,129	2.61	147,173	3.08	120,929	2.49
31,008	2.13	28,510	2.00	45,666	1.88	37,756	1.54	73,079	1.53	66,744	1.37
27,799	1.91	23,219	1.63	38,511	1.58	32,355	1.32	64,541	1.35	58,598	1.21
17,884	1.23	14,487	1.02	25,363	1.04	23,159	0.94	46,403	0.97	47,885	0.99
29,614	2.04	22,667	1.59	39,804	1.63	29,188	1.19	69,748	1.46	61,265	1.26
7,341	0.51	6,330	0.44	9,741	0.40	7,438	0.30	15,332	0.32	11,690	0.24
6,046	0.42	5,284	0.37	9,073	0.37	8,647	0.35	14,490	0.30	14,073	0.29
11,328	0.78	9,328	0.65	16,717	0.69	11,827	0.48	25,251	0.53	22,083	0.45
7,586	0.52	7,090	0.50	11,091	0.46	11,774	0.48	17,649	0.37	16,793	0.35
16,381	1.13	14,532	1.02	23,962	0.98	20,774	0.85	42,065	0.88	37,614	0.77
2,521	0.17	2,510	0.18	4,762	0.20	5,988	0.24	5,601	0.12	6,623	0.14
29,143	2.00	25,062	1.76	42,382	1.74	30,321	1.24	72,965	1.53	66,929	1.38
772	0.05	700	0.05	1,040	0.04	901	0.04	1,775	0.04	1,587	0.03
13,709	0.94	13,018	0.91	18,238	0.75	14,024	0.57	25,501	0.53	19,330	0.40
3,039	0.21	2,865	0.20	4,437	0.18	3,820	0.16	7,358	0.15	4,404	0.09
22,493	1.55	14,767	1.04	31,381	1.29	17,668	0.72	40,408	0.85	27,302	0.56
11,286	0.78	9,789	0.69	15,431	0.63	11,568	0.47	28,005	0.59	24,375	0.50
4,300	0.30	3,449	0.24	6,096	0.25	2,062	0.08	10,495	0.22	7,990	0.16
1,957	0.13	2,107	0.15	3,004	0.12	2,695	0.11	5,635	0.12	4,709	0.10
289,845	**19.94**	**246,264**	**17.26**	**421,008**	**17.29**	**336,093**	**13.69**	**713,474**	**14.94**	**620,923**	**12.78**
(34,942)	**(2.40)**	**38,108**	**2.67**	**(33,906)**	**(1.39)**	**77,879**	**3.17**	**(34,794)**	**(0.73)**	**142,369**	**2.93**
38,330	**2.64**	**24,335**	**1.71**	**59,839**	**2.46**	**45,920**	**1.87**	**121,087**	**2.54**	**87,164**	**1.79**
3,388	**0.23**	**62,443**	**4.38**	**25,933**	**1.07**	**123,799**	**5.04**	**86,293**	**1.81**	**229,533**	**4.72**

AGRICULTURAL DEALER BALANCE SHEETS, FINANCIAL RATIOS AND PERSONNEL DATA BY SALES VOLUME SIZE

VOLUME GROUP "A"
SALES UNDER $1,000,000

BALANCE SHEET AVERAGES	AVERAGE Amount	AVERAGE % Total Assets	HIGH PROFIT Amount	HIGH PROFIT % Total Assets	YOUR FIGURES Amount	YOUR FIGURES % Total Assets
ASSETS						
Cash and Securities	$ 41,143	6.72	51,024	10.04		
Customer Receivables	45,279	7.40	45,658	8.99		
Factory Receivables and Other	2,542	0.42	913	0.18		
TOTAL	**88,964**	**14.53**	**97,595**	**19.21**		
INVENTORIES						
New Equipment	275,470	44.99	228,022	44.88		
Used Equipment	72,655	11.87	44,928	8.84		
Repair Parts	96,570	15.77	74,601	14.68		
Other Lines	12,999	2.12	8,420	1.66		
Rental or Lease	362	0.06	0	0.00		
TOTAL INVENTORIES	**458,056**	**74.81**	**355,971**	**70.06**		
TOTAL CURRENT ASSETS	547,020	89.34	453,566	89.27		
Fixed Assets	51,992	8.49	47,481	9.34		
Finance Reserve and Other Assets	13,251	2.16	7,032	1.38		
TOTAL ASSETS	**612,263**	**100.00**	**508,079**	**100.00**		
LIABILITIES AND NET WORTH						
Current Accounts Payable and Accruals	44,019		50,005			
Floor Plan Notes Payable	244,772		165,907			
Notes Payable — Bank and Other	47,421		14,130			
Mortgages and Other Long-Term	51,531		21,568			
TOTAL LIABILITIES	**387,743**	**63.33**	**251,510**	**49.52**		
Net Worth	224,520	36.67	256,469	50.48		
TOTAL LIABILITIES AND NET WORTH	**612,263**		**508,079**			

INVENTORY TURNOVER	Amount	Times Turn	Amount	Times Turn		
New Equipment	275,470	0.85	228,022	1.16		
Used Equipment	72,655	1.21	44,928	1.78		
Repair Parts	96,570	1.59	74,601	2.05		
Other Lines	12,999	1.33	8,420	1.66		
Rental or Lease	362	2.37	0	0.00		
TOTAL INVENTORIES	**458,056**	**1.15**	**355,971**	**1.52**		

FINANCIAL RATIOS				
Current Ratio	1.63 TO 1		1.97 TO 1	
Ownership Equity	36.67 %		50.48 %	
Net Working Capital Turnover	3.10 TIMES		3.06 TIMES	
Inventory to Net Working Capital	2.17 TO 1		1.59 TO 1	
Turnover of Total Assets	1.07 TIMES		1.34 TIMES	
Return on Total Assets	0.13 %		6.28 %	
Return on Net Worth	0.36 %		12.44 %	

PERSONNEL DATA				
Average Number of Employees per Dealer	6.40		6.20	
Average Total Sales per Employee	109,596		117,137	
Average Total Assets per Employee	103,203		85,715	
Average Number of Salesmen — Including Owners	1.80		1.70	
Average New and Used Sales per Salesman	197,735		229,339	
Average Number of Partsmen	1.00		1.00	
Average Parts Sales per Partsman	221,808		226,760	
Average Number of Servicemen	2.60		2.50	
Average Service Sales per Serviceman	22,413		20,337	
Average Number of Office Employees	0.90		0.90	
Average Number of Other Employees	0.10		0.10	
Average Hourly Wage — Top Mechanic	7.27		7.45	
Average Hourly Wage — Regular Mechanic	5.43		5.76	
Average Hourly Customer Shop Rate	21.93		20.33	
Average Hourly Internal Shop Rate	14.78		12.58	

VOLUME GROUP "B" SALES $1,000,000 TO $2,000,000				VOLUME GROUP "C" SALES $2,000,000 TO $3,000,000				VOLUME GROUP "D" SALES OVER $3,000,000			
AVERAGE		HIGH PROFIT		AVERAGE		HIGH PROFIT		AVERAGE		HIGH PROFIT	
Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
65,456	5.80	84,354	8.60	81,448	4.66	99,087	6.64	117,579	3.91	192,382	6.67
84,354	7.48	82,251	8.39	141,123	8.07	115,901	7.77	293,525	9.75	248,497	8.62
14,034	1.24	10,058	1.03	29,603	1.69	26,036	1.75	69,263	2.30	95,574	3.31
163,844	**14.53**	**176,663**	**18.02**	**252,174**	**14.43**	**241,024**	**16.15**	**480,367**	**15.96**	**536,453**	**18.60**
508,873	45.12	433,459	44.21	792,387	45.33	675,613	45.28	1,328,256	44.13	1,222,658	42.39
157,998	14.01	121,906	12.43	253,822	14.52	167,945	11.26	459,618	15.27	474,461	16.45
163,077	14.46	134,607	13.73	225,430	12.90	195,271	13.09	321,429	10.68	271,537	9.41
19,035	1.69	14,469	1.48	43,899	2.51	49,876	3.34	77,568	2.58	130,774	4.53
4,596	0.41	258	0.03	8,881	0.51	1,428	0.10	24,502	0.81	6,985	0.24
853,579	**75.69**	**704,699**	**71.88**	**1,324,419**	**75.77**	**1,090,133**	**73.07**	**2,211,373**	**73.48**	**2,106,415**	**73.03**
1,017,423	**90.22**	**881,362**	**89.90**	**1,576,593**	**90.19**	**1,331,157**	**89.22**	**2,691,740**	**89.44**	**2,642,868**	**91.63**
82,323	7.30	81,435	8.31	121,210	6.93	107,493	7.20	221,569	7.36	171,845	5.96
27,972	2.48	17,569	1.79	50,190	2.87	53,326	3.57	96,294	3.20	69,594	2.41
1,127,718	**100.00**	**980,366**	**100.00**	**1,747,993**	**100.00**	**1,491,976**	**100.00**	**3,009,603**	**100,00**	**2,884,307**	**100.00**
74,741		70,654		126,280		123,871		269,166		231,220	
551,365		415,921		906,956		709,374		1,535,611		1,468,312	
87,835		47,769		98,313		68,123		196,402		153,789	
81,358		71,408		145,470		95,622		219,140		172,071	
795,299	**70.52**	**605,752**	**61.79**	**1,277,019**	**73.06**	**996,990**	**66.82**	**2,220,319**	**73.77**	**2,025,392**	**70.22**
332,419	29.48	374,614	38.21	470,974	26.94	494,986	33.18	789,284	26.23	858,915	29.78
1,127,718		**980,366**		**1,747,993**		**1,491,976**		**3,009,603**		**2,884,307**	
Amount	Times Turn	Amount	Times Turn	Amount	Times Turn	Amount	Times Turn	Amount	Times Turn	Amount	Times Turn
508,873	1.07	433,459	1.23	792,387	1.23	675,613	1.59	1,328,256	1.48	1,222,658	1.59
157,998	1.64	121,906	1.95	253,822	1.88	167,945	2.38	459,618	2.23	474,461	2.05
163,077	1.73	134,607	2.02	225,430	1.78	195,271	1.91	321,429	2.12	271,537	2.22
19,035	2.02	14,469	2.36	43,899	1.82	49,876	1.90	77,568	2.75	130,774	2.84
4,596	0.92	258	8.10	8,881	0.89	1,428	7.55	24,502	1.11	6,985	2.83
853,579	**1.40**	**704,699**	**1.62**	**1,324,419**	**1.55**	**1,090,133**	**1.87**	**2,211,373**	**1.85**	**2,106,415**	**1.94**
1.43 TO 1		1.65 TO 1		1.39 TO 1		1.48 TO 1		1.35 TO 1		1.43 TO 1	
29.48 %		38.21 %		26.94 %		33.18 %		26.23 %		29.78 %	
4.79 TIMES		4.11 TIMES		5.47 TIMES		5.71 TIMES		6.91 TIMES		6.16 TIMES	
2.81 TO 1		2.03 TO 1		2.98 TO 1		2.54 TO 1		3.20 TO 1		2.67 TO 1	
1.29 TIMES		1.46 TIMES		1.39 TIMES		1.64 TIMES		1.59 TIMES		1.68 TIMES	
0.30 %		6.37 %		1.48 %		8.30 %		2.87 %		7.96 %	
1.02 %		16.67 %		5.51 %		25.01 %		10.93 %		26.72 %	
10.10		9.40		13.50		12.40		20.90		19.40	
151,135		162,914		190,345		212,260		250,844		290,614	
121,250		111,717		139,644		131,207		162,253		169,538	
2.50		2.30		3.10		2.70		4.40		4.10	
349,811		383,901		502,855		604,310		722,888		781,865	
1.70		1.60		2.30		2.10		3.40		3.00	
236,671		243,023		251,028		251,637		282,575		286,735	
4.30		4.00		5.90		5.50		9.20		8.20	
28,601		26,620		31,691		29,535		38,423		42,951	
1.30		1.20		1.70		1.60		2.30		2.10	
0.30		0.30		0.50		0.50		1.60		2.00	
7.89		7.19		8.22		8.63		9.37		9.95	
6.27		5.62		6.55		6.91		7.50		8.16	
22.58		21.19		23.90		23.29		26.33		27.06	
17.99		16.11		20.00		21.11		22.55		24.70	

AGRICULTURAL DEALER OPERATIONS AND BALANCE SHEETS BY GEOGRAPHIC REGION

	REGION 1		REGION 2		REGION 3		REGION 4	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
SALES								
New Equipment	$ 920,747	48.28	829,059	43.97	1,020,616	48.31	956,199	48.34
Used Equipment	308,930	16.20	243,666	12.92	325,823	15.42	348,963	17.64
Total New and Used	1,229,677	64.48	1,072,725	56.89	1,346,439	63.73	1,305,162	65.98
Repair Parts	418,795	21.96	592,835	31.44	570,590	27.01	472,725	23.90
Service Labor	143,683	7.53	140,719	7.46	151,592	7.18	138,164	6.98
Other Lines	104,815	5.50	72,413	3.84	37,094	1.76	30,486	1.54
Rental Lease Income	10,163	0.53	6,968	0.37	6,984	0.33	31,649	1.60
TOTAL SALES	**1,907,133**	**100.00**	**1,885,660**	**100.00**	**2,112,699**	**100.00**	**1,978,186**	**100.00**
MARGINS								
New Equipment	102,676	11.15	75,458	9.10	81,982	8.03	93,880	9.82
Used Equipment	9,136	2.96	8,056	3.31	14,938	4.58	16,725	4.79
Total New and Used	111,812	9.09	83,514	7.79	96,920	7.20	110,605	8.47
Repair Parts	123,221	29.42	172,868	29.16	163,122	28.59	148,213	31.35
Service Labor	64,975	45.22	56,638	40.25	63,487	41.88	57,202	41.40
Other Lines	15,496	14.78	11,573	15.98	5,754	15.51	5,814	19.07
Rental Lease Income	5,405	53.18	2,263	32.48	2,566	36.74	11,117	35.13
TOTAL OPERATING MARGIN	**320,909**	**16.83**	**326,856**	**17.33**	**331,849**	**15.71**	**332,951**	**16.83**
EXPENSES								
Salaries — Salesmen	30,307	1.59	28,503	1.51	31,812	1.51	35,285	1.78
Travel and Training	4,452	.23	4,318	0.23	6,617	0.31	3,723	0.19
Advertising and Promotion	16,986	0.89	9,571	0.51	12,987	0.61	14,824	0.75
After Sales and Warranty Expense	9,826	.52	10,830	0.57	9,453	0.45	7,105	0.36
TOTAL SALES EXPENSE	**61,571**	**3.23**	**53,222**	**2.82**	**60,869**	**2.88**	**60,937**	**3.08**
Salaries — Officers, Owners	36,764	1.93	37,554	1.99	37,402	1.77	40,449	2.04
Salaries Partsmen	27,322	1.43	33,978	1.80	37,082	1.76	30,486	1.54
Salaries Office and Others	22,341	1.17	25,281	1.34	25,121	1.19	23,380	1.18
Occupancy Expense	27,454	1.44	32,129	1.70	37,100	1.76	32,040	1.62
Heat, Light, Power, Water	7,852	0.41	7,112	0.38	9,257	0.44	7,841	0.40
Telephone and Telegraph	6,632	0.35	7,892	0.42	7,552	0.36	7,817	0.40
Office and Store Expense and Postage	14,140	0.74	16,944	0.90	12,607	0.60	12,028	0.61
Shop Supplies and Expense	8,285	0.43	8,744	0.46	8,868	0.42	9,588	0.48
Car and Truck Expense	17,721	0.93	19,373	1.03	19,915	0.94	18,006	0.91
Taxes — Except Payroll & Real Estate	3,476	0.18	5,223	0.28	4,578	0.22	4,946	0.25
Employee Benefits	35,042	.84	39,508	2.10	35,523	1.68	35,343	1.79
Dues and Subscriptions	896	0.05	963	0.05	1,137	0.05	703	0.04
Insurance — Except Group & R.E.	15,593	0.82	17,101	0.91	16,746	0.79	11,689	0.59
Legal and Auditing	3,923	0.21	3,147	0.17	4,009	0.19	3,222	0.16
Interest & Bank Chgs — Except R.E.	19,339	1.01	18,918	1.00	19,937	0.94	20,649	1.04
Depreciation	13,089	0.69	9,654	0.51	14,773	0.70	9,029	0.46
Bad Debts	3,633	0.19	6,704	0.36	5,812	0.28	4,038	0.20
Contributions and Miscellaneous	2,738	0.14	2,332	0.12	3,540	0.17	2,708	0.14
TOTAL EXPENSE	**327,811**	**17.19**	**345,779**	**18.34**	**361,828**	**17.13**	**334,899**	**16.93**
NET PROFIT ON SALES	**(6,902)**	**(0.36)**	**(18,923)**	**(1.00)**	**(29,979)**	**(1.42)**	**(1,948)**	**(0.10)**
OTHER INCOME	**53,880**	**2.83**	**48,480**	**2.57**	**55,441**	**2.62**	**48,232**	**2.44**
NET OPERATING PROFIT OR LOSS – BEFORE INCOME TAXES –	**46,978**	**2.46**	**29,557**	**1.57**	**25,462**	**1.21**	**46,284**	**2.34**

	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
ASSETS								
Cash and Securities	$ 78,068	6.83	82,251	6.24	64,376	4.38	88,814	6.88
Customer Receivables	120,715	10.55	164,566	12.49	118,860	8.08	102,439	7.93
Factory & Other Receivables	19,469	1.70	31,842	2.42	16,181	1.10	29,240	2.26
TOTAL	**218,252**	**19.08**	**278,659**	**21.16**	**199,417**	**13.56**	**220,493**	**17.07**
INVENTORIES								
New Equipment	497,478	43.49	569,563	43.24	742,370	50.48	578,349	44.79
Used Equipment	129,487	11.32	104,731	7.95	155,379	10.56	183,517	14.21
Repair Parts	151,312	13.23	203,643	15.46	189,833	12.91	166,161	12.87
Other Lines	31,030	2.71	31,078	2.36	37,873	2.58	13,459	1.04
Rental or Lease	3,267	0.29	3,073	0.23	896	0.06	2,253	0.17
TOTAL INVENTORIES	**812,574**	**71.04**	**912,088**	**69.25**	**1,126,351**	**76.58**	**943,739**	**73.08**
TOTAL CURRENT ASSETS	**1,030,826**	**90.12**	**1,190,747**	**90.41**	**1,325,768**	**90.14**	**1,164,232**	**90.15**
Fixed Assets	75,392	6.59	86,476	6.57	116,610	7.93	107,440	8.32
Finance Reserve and Other Assets	39,587	3.29	38,894	3.03	28,367	1.93	19,706	1.53
TOTAL ASSETS	**1,143,805**	**100.00**	**1,317,117**	**100.00**	**1,470,745**	**100.00**	**1,291,378**	**100.00**
LIABILITIES AND NET WORTH								
Current Accounts Payable and Accruals	134,918		84,912		52,136		100,265	
Floor Plan Notes Payable	466,215		615,153		814,457		637,092	
Notes Payable — Bank and Other	76,736		64,418		98,000		116,482	
Mortgages and Other Long Term	90,830		100,405		66,861		85,843	
TOTAL LIABILITIES	**768,699**	**67.21**	**864,888**	**65.67**	**1,031,454**	**70.13**	**939,682**	**72.77**
Net Worth	375,106	32.79	452,229	34.33	439,291	29.87	351,696	27.23
TOTAL LIABILITIES AND NET WORTH	**1,143,805**		**1,317,117**		**1,470,745**		**1,291,378**	

SEE MAP ON PAGE 14
FOR IDENTIFICATION OF REGIONS

REGION 5		REGION 6		REGION 7		REGION 8		REGION 9		CANADA	
Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
$988,309	43.39	770,434	39.95	624,024	36.04	888,925	42.33	1,086,597	37.66	1,701,692	49.28
482,948	21.20	452,631	23.47	435,909	25.18	464,031	22.10	382,778	13.27	928,024	26.87
1,471,257	64.59	1,223,065	63.43	1,059,933	61.22	1,352,956	64.43	1,469,375	50.93	2,629,716	76.15
507,795	22.29	438,358	22.73	439,976	25.41	537,391	25.59	799,451	27.71	546,622	15.83
197,265	8.66	145,823	7.56	150,894	8.72	161,208	7.68	275,670	9.55	218,571	6.33
87,594	3.85	110,118	5.71	70,027	4.04	36,632	1.74	278,135	9.64	45,744	1.32
13,859	0.61	10,939	0.57	10,551	0.61	11,821	0.56	62,601	2.17	12,679	0.37
2,277,770	**100.00**	**1,928,303**	**100.00**	**1,731,381**	**100.00**	**2,100,008**	**100.00**	**2,885,232**	**100.00**	**3,453,332**	**100.00**
72,486	7.33	59,577	7.73	55,629	8.91	58,045	6.53	123,127	11.33	145,646	8.56
16,735	3.47	16,165	3.57	(4,472)	(1.03)	3,067	0.66	20,707	5.41	33,763	3.64
89,221	6.06	75,742	6.19	51,157	4.83	61,112	4.52	143,834	9.79	179,409	6.82
149,120	29.37	131,958	30.10	133,563	30.36	161,554	30.05	236,678	29.61	155,070	28.37
90,166	45.71	66,872	45.86	65,789	43.60	71,658	44.45	133,163	48.31	102,274	46.79
12,195	13.92	8,007	7.27	6,369	9.10	4,558	12.44	29,212	10.50	4,501	9.84
8,318	60.02	7,380	67.47	7,333	69.50	9,125	77.19	14,608	23.34	6,735	53.12
349,020	**15.32**	**289,959**	**15.04**	**264,211**	**15.26**	**308,007**	**14.67**	**557,495**	**19.32**	**447,989**	**12.97**
37,778	1.66	29,384	1.52	24,957	1.44	31,242	1.49	58,537	2.03	49,344	1.43
3,621	0.16	3,697	0.19	2,727	0.16	4,396	0.21	8,655	0.30	6,831	0.20
17,580	0.77	14,366	0.75	13,284	0.77	13,723	0.65	20,594	0.71	22,001	0.64
12,005	0.53	11,573	0.60	11,137	0.64	14,959	0.71	20,604	0.71	17,503	0.51
70,984	**3.12**	**59,020**	**3.06**	**52,105**	**3.01**	**64,320**	**3.06**	**108,390**	**3.76**	**95,679**	**2.77**
42,281	1.86	30,691	1.59	35,004	2.02	38,765	1.85	59,896	2.08	46,196	1.34
37,595	1.65	28,493	1.48	28,073	1.62	33,854	1.61	60,704	2.10	39,444	1.14
21,971	0.96	18,436	0.96	18,591	1.07	19,667	0.94	39,122	1.36	31,973	0.93
38,372	1.68	34,902	1.81	36,555	2.11	34,509	1.64	57,757	2.00	45,624	1.32
10,502	0.46	9,077	0.47	8,955	0.52	8,134	0.39	12,271	0.43	8,634	0.25
7,726	0.34	6,672	0.35	5,947	0.34	6,650	0.32	13,214	0.46	10,826	0.31
12,896	0.57	12,269	0.64	11,193	0.65	13,023	0.62	20,164	0.70	17,656	0.51
10,609	0.47	7,821	0.41	7,249	0.42	8,506	0.41	19,013	0.66	10,555	0.31
23,877	1.05	19,594	1.02	17,601	1.02	17,594	0.84	36,030	1.25	29,387	0.85
2,884	0.13	971	0.05	1,460	0.08	4,840	0.23	6,058	0.21	2,476	0.07
46,488	2.04	30,380	1.58	32,570	1.88	36,056	1.72	67,972	2.36	26,103	0.76
1,058	0.05	804	0.04	874	0.05	780	0.04	1,562	0.05	1,342	0.04
16,368	0.72	15,459	0.80	17,121	0.99	17,515	0.83	21,048	0.73	12,116	0.35
4,382	0.19	3,145	0.16	3,151	0.18	2,956	0.14	8,240	0.29	4,422	0.13
29,607	1.30	27,615	1.43	26,090	1.51	23,628	1.13	41,653	1.44	30,693	0.89
12,472	0.55	13,106	0.68	13,846	0.80	15,846	0.75	26,361	0.91	15,391	0.45
5,109	0.22	4,576	0.24	4,809	0.28	6,368	0.30	9,198	0.32	3,285	0.10
2,500	0.11	1,904	0.10	2,226	0.13	3,096	0.15	4,322	0.15	2,486	0.07
397,681	**17.46**	**324,935**	**16.85**	**323,420**	**18.68**	**356,107**	**16.96**	**612,975**	**21.25**	**434,288**	**12.58**
(48,661)	**(2.14)**	**(34,976)**	**(1.81)**	**(59,209)**	**(3.42)**	**(48,100)**	**(2.29)**	**(55,480)**	**(1.92)**	**13,701**	**0.40**
60,552	**2.66**	**43,758**	**2.27**	**50,953**	**2.94**	**65,659**	**3.13**	**77,901**	**2.70**	**66,319**	**1.92**
11,891	**0.52**	**8,782**	**0.46**	**(8,256)**	**(0.48)**	**17,559**	**0.84**	**22,421**	**0.78**	**80,020**	**2.32**
Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
79,816	4.93	64,642	4.27	70,077	4.87	83,489	5.43	82,521	3.94	61,405	2.88
139,715	8.63	86,818	5.74	80,196	5.57	145,192	9.44	261,220	12.46	125,809	5.89
24,954	1.54	20,327	1.34	22,290	1.55	21,328	1.39	23,606	1.13	65,615	3.07
244,485	15.11	171,787	11.35	172,563	11.98	250,009	16.26	367,347	17.53	252,829	11.84
712,862	44.05	712,730	47.09	636,947	44.22	710,260	46.20	791,310	37.76	1,037,947	48.63
267,104	16.50	258,111	17.05	248,528	17.26	192,436	12.52	249,173	11.89	402,554	18.86
212,210	13.11	201,039	13.28	185,821	12.90	183,936	11.96	273,925	13.07	198,654	9.31
32,041	1.98	37,917	2.51	33,887	2.35	17,263	1.12	77,812	3.71	43,859	2.05
3,967	0.25	1,308	0.09	2,497	0.17	4,154	0.27	66,113	3.15	5,499	0.26
1,228,184	**75.89**	**1,211,105**	**80.03**	**1,107,680**	**76.91**	**1,108,049**	**72.07**	**1,458,333**	**69.59**	**1,688,513**	**79.11**
1,472,669	**91.00**	**1,382,892**	**91.38**	**1,280,243**	**88.89**	**1,358,058**	**88.33**	**1,825,680**	**87.12**	**1,941,342**	**90.95**
108,075	6.68	88,456	5.84	116,858	8.11	116,738	7.59	187,115	8.93	157,734	7.39
37,624	2.32	42,060	2.78	43,202	3.00	62,717	4.08	82,840	3.95	35,423	1.66
1,618,368	**100.00**	**1,513,408**	**100.00**	**1,440,303**	**100.00**	**1,537,513**	**100.00**	**2,095,635**	**100.00**	**2,134,499**	**100.00**
149,416		101,140		70,467		107,388		167,441		193,499	
802,435		843,937		749,895		799,043		880,942		1,160,197	
105,638		105,331		90,541		96,851		163,840		141,335	
110,263		120,455		100,769		85,459		201,007		200,997	
1,167,752	**72.16**	**1,170,863**	**77.37**	**1,011,672**	**70.24**	**1,088,741**	**70.81**	**1,413,260**	**67.44**	**1,696,028**	**79.46**
450,616	27.84	342,545	22.63	428,631	29.76	448,772	29.29	682,375	32.56	438,471	20.54
1,618,368		**1,513,408**		**1,440,303**		**1,537,513**		**2,095,635**		**2,134,499**	

AGRICULTURAL DEALER FIXED ASSETS BY SALES VOLUME SIZE

Averages of fixed assets shown below are straight averages for all reporting dealers — both owners and renters. Considering only the dealers who own land and buildings used in their business, the average values would be approximately twice the amounts shown below for these assets. The same holds true for leasehold improvements.

	VOLUME GROUP "A" SALES UNDER 1,000,000		VOLUME GROUP "B" SALES $1,000,000 TO $2,000,000	
	AVERAGE	HIGH PROFIT	AVERAGE	HIGH PROFIT
Land and Buildings	$44,920	$45,294	$73,677	$67,873
Leasehold Improvements	1,249	275	7,967	4,966
Shop and Office Equipment	21,266	11,750	35,403	28,547
Furniture and Fixtures	8,945	6,713	22,104	17,328
Cars, Trucks and Other Vehicles	41,845	40,122	66,973	59,356
Reserve for Depreciation	72,070 –	58,641 –	122,307 –	99,203 –
Net Book Value Fixed Assets	46,155	45,513	83,817	78,867

	VOLUME GROUP "C" SALES $2,000,000 TO $3,000,000		VOLUME GROUP "D" SALES OVER $3,000,000	
	AVERAGE	HIGH PROFIT	AVERAGE	HIGH PROFIT
Land and Buildings	$95,505	$85,276	$203,479	$130,254
Leasehold Improvements	10,140	3,134	21,376	15,258
Shop and Office Equipment	45,390	40,791	83,115	77,742
Furniture and Fixtures	30,443	21,198	53,268	43,218
Cars, Trucks and Other Vehicles	106,018	97,428	163,398	139,712
Reserve for Depreciation	176,217 –	135,172 –	285,685 –	231,290 –
Net Book Value Fixed Assets	111,279	112,655	238,951	174,894

	NATIONAL ALL DEALERS	
	AVERAGE	HIGH PROFIT
Land and Buildings	$102,970	$85,210
Leasehold Improvements	10,371	6,214
Shop and Office Equipment	46,033	40,805
Furniture and Fixtures	28,818	22,883
Cars, Trucks and Other Vehicles	93,207	84,228
Reserve for Depreciation	162,797 –	135,104 –
Net Book Value Fixed Assets	118,602	104,236

REGIONAL MEMBERSHIP — U.S.
(As of January 1, 1986)

Region 1 – 976
Mar-Del-Va
New England
New Jersey
New York
Pennsylvania
Virginia

Region 2 – 868
Alabama
Carolinas
Deep South
Southeastern
Southern

Region 3 – 875
Mid-South
Southwest

Region 4 – 856
Indiana
Kentucky
Ohio

Region 5 – 954
Illinois
Michigan
Wisconsin

Region 6 – 980
Minnesota-South Dakota
North Dakota

Region 7 – 768
Iowa-Nebraska

Region 8 – 783
Mississippi Valley
Western

Region 9 – 712
Far West
Intermountain
Montana
Mountain States
Pacific Northwest

TEN IMPORTANT FINANCIAL AND OPERATING RATIOS

Financial records, carefully maintained, provide dealers with the only sound measuring device for business success. They help to measure the ability of their business to generate profits and to meet claims against it. They provide the basis, also, for isolating the business' strengths and weaknesses and may, through analysis, suggest how best to plan for profits and to maintain solvency.

With this in mind, the following ratios have been developed from year-end operating statements and balance sheets submitted by dealers in the current studies. Dealers having adequate records will find comparison of these ratios most revealing and helpful.

CURRENT RATIO

Figure by dividing Current Assets by Current Liabilities.

This ratio compares the total of cash and the items which will be converted into cash, with debts which must be paid soon. Thus, the ratio reflects ability to handle current debts.

A ratio of 2.00 to 1 ($2.00 of Current Assets for each $1.00 of Current Liabilities) is considered satisfactory. When the ratio falls below 2.00 to 1, creditors have a greater interest in Current Assets than the owner.

EMPLOYEE STUDIES

In the space provided on page 10, enter the number of employees in each category as applicable for your business. Then calculate the average sales per employee by dividing the applicable sales amount by the number of employees for each category.

Comparison of your sales per employee in each category to the averages is the first step in measuring employee efficiency. The next step is to compare your current year figures to previous years.

OWNERSHIP EQUITY

Figure by dividing Net Worth by Total Assets.

Ownership Equity is shown on the "Net Worth" line of the balance sheet in the column headed "% Total Assets".

This ratio shows how much of the business is proprietor-owned; and conversely, by subtracting the percentage from 100 percent, it shows how much of the business is financed by outside capital (creditors).

When Net Worth is less than 50 percent of Total Assets, creditors have a greater interest in the assets than proprietors.

RECEIVABLES TURNOVER

Figure by dividing the total of Repair Parts and Service Sales by Accounts Receivable.

The turnover rate is meaningful when customer receivables are related to the corresponding customer sales of the dealership. Since internal sales of parts and labor have not been separated from customer sales in this survey, turnover is not calculated.

This ratio shows whether or not receivables are in proportion to amount of business transacted and might be used every month to good advantage. Divide sales year-to-date by receivables and compare with ratio for same period in past two or three years. Unfavorable trends can thus be detected.

NET WORKING CAPITAL TURNOVER

Net Working Capital is determined by subtracting Current Liabilities from Current Assets.

Rate of turnover is figured by dividing Sales by Net Working Capital.

How many times Net Working Capital turns over in a year in Sales is a good measure of activity for any business. It is a sensitive indicator of overtrading or undertrading; and as such, it is a good test of the adequacy of Net Working Capital for the scale of operations of the firm.

When this ratio is too high, it will usually be found that the dealership is short of cash and heavy on receivables and paid-for inventory. This situation promotes borrowing or sale of equipment at a loss to meet payroll and other fixed obligations. When it is too low, inefficient use of capital in the dealership is indicated. It is usually attended by a pile-up of receivables or inventory or cash, or a combination of these, in excess of the needs of the business.

INVENTORY TO NET WORKING CAPITAL

Figure by dividing Inventory by Net Working Capital.

This ratio for most dealers in the farm and power equipment industry is extremely high because first, inventories are characteristically heavy and represent a major portion of Total Current Assets; and second, because of the heavy financing of whole goods.

In most other retail lines, inventory requirements are relatively smaller and supplier credit terms are shorter.

TURNOVER OF TOTAL ASSETS

Figure by dividing Sales by Total Assets.

The importance of this ratio is illustrated in the question of why a dealership with $750,000 of Total Assets achieves Total Sales of $1,500,000 while another with an equal amount of assets achieves a Total Sales volume of only $1,000,000. The first would seem to be more efficient in its use of assets.

However, a high rate of turnover is not necessarily the key to profits. As in the ratio, Sales to Net Working Capital,, high turnover may be an indicator of inadequate capital in relation to sales volume. Also, high usage of rental property by a dealer usually results in a high rate of turnover.

RETURN ON ASSETS

Figure by dividing Net Profit by Total Assets.

This ratio, too, is an important test of operating efficiency. It is a test of the quality of management in the utilization of the assets in the business. It lays aside all problems related to the source of funds, whether such funds are obtained from capital investment, borrowings, or purchases on credit. It shows the return on total capital invested in the business (owner capital plus outside capital), which is represented by Total Assets.

RETURN ON NET WORTH

Figure by dividing Net Profit by Net Worth.

In using this ratio, it is important that a fair salary for the owner be included in operating expenses of the business. The owner's time is certainly worth something; therefore, all Net Profit ratios should be based upon the profit *after* this salary is paid or taken into consideration in the figuring. Adequacy of profit must be measured in the light of current returns on money in the investment market, as well as compensation for risk.

INVENTORY TURNOVER

Figure by dividing Cost of Sales by Inventory.

Cost of Sales figures are not reported in this study but may be figured, if needed, by subtracting Margin from the corresponding Sales.

This ratio shows the number of times Inventory is bought and sold during the year, reflected in "turnover" in the balance sheet studies.

ASSOCIATIONS SERVING DEALERS IN NORTH AMERICA

ALABAMA FARM & POWER EQUIPMENT DEALERS ASSOCIATION
P.O. Box 431, Luverne, AL 36049

FARM EQUIPMENT DEALERS ASSOCIATION OF ALBERTA/BRITISH COLUMBIA
3801 G-21st St. NE, Calgary, Albt., T2E 6T5 Canada

CAROLINAS FARM & POWER EQUIPMENT DEALERS ASSOCIATION
P.O. Drawer 3776 — 211 Broad St., Wilson, NC 27893

DEEP SOUTH EQUIPMENT DEALERS ASSOCIATION
P.O. Box 1191, Baton Rouge, LA 70821

FAR WEST EQUIPMENT DEALERS ASSOCIATION
1601 N. Main St., Suite 202, Walnut Creek, CA 94596

ILLINOIS RETAIL FARM EQUIPMENT ASSOCIATION
P.O. Box 1227, Peoria, IL 61654

INDIANA IMPLEMENT DEALERS ASSOCIATION
9800 Association Court, Indianapolis, IN 46280

INTERMOUNTAIN ASSOCIATION OF HARDWARE & IMPLEMENT DEALERS
2230 Main St., Boise, ID 83702

IOWA-NEBRASKA FARM EQUIPMENT ASSOCIATION
2716 Grand Ave., Des Moines, IA 50312

KENTUCKY FARM & POWER EQUIPMENT DEALERS ASSOCIATION
P.O. Box 329, Louisville, KY 40201-0329

MAR-DEL-VA FARM & POWER EQUIPMENT ASSOCIATION
2400 Valley Ave., Room 3, Winchester, VA 22601

MICHIGAN EQUIPMENT DEALERS ASSOCIATION
P.O. Box 26008, Lansing, MI 48909

MID-SOUTH FARM EQUIPMENT ASSOCIATION
P.O. Box 17777, Memphis, TN 38187-0777

FARM EQUIPMENT ASSOCIATION OF MINNESOTA-SOUTH DAKOTA
129 East Broadway, Owatonna, MN 55060

MISSISSIPPI VALLEY FARM EQUIPMENT ASSOCIATION
Suite 300, 10877 Watson Rd., St. Louis, MO 63127

MONTANA HARDWARE & IMPLEMENT ASSOCIATION
P.O. Box 440, Helena, MT 59624

MOUNTAIN STATES HARDWARE & IMPLEMENT ASSOCIATION
1380 Carr Street, Lakewood, CO 80215

NEW ENGLAND EQUIPMENT DEALERS ASSOCIATION
Rt. 9, Page Road, Box 327, Concord, NH 03301

NEW JERSEY LAWN, INDUSTRIAL & FARM EQUIPMENT DEALERS ASSOCIATION
P.O. Box 7071, West Trenton, NJ 08628

NEW YORK FARM EQUIPMENT DEALERS ASSOCIATION
3 Broad St., Hamilton, NY 13346

NORTH DAKOTA IMPLEMENT DEALERS ASSOCIATION
P.O. Box 2524, Fargo, ND 58108

OHIO ASSOCIATION OF FARM & POWER EQUIPMENT RETAILERS
P.O. Box 68, Dublin, OH 43017

ONTARIO RETAIL FARM EQUIPMENT DEALERS ASSOCIATION
3601 Lawrence Ave. East — Ste. 205, Scarborough, Ont. M1G 1P5 Canada

PACIFIC NORTHWEST HARDWARE & IMPLEMENT ASSOCIATION
333 SW 5th Avenue, Room 606, Portland, OR 97204

PENNSYLVANIA FARM & POWER EQUIPMENT ASSOCIATION
4605 Locust Lane, Harrisburg, PA 17109-4494

ASSOCIATION DES MARCHANDS DE MACHINES ARATOIRES DE LA PROVINCE DE QUEBEC
P.O. Box 941, Bedford, Quebec, J0J 1A0 Canada

SASKATCHEWAN MANITOBA IMPLEMENT DEALERS ASSOCIATION
366A Edson St., Sub. P.O. 18, Saskatoon, Sask. S7H OYO Canada

SOUTHEASTERN FARM & POWER EQUIPMENT ASSOCIATION, INC.
428 Academy Ave., Dublin, GA 31021

SOUTHERN ASSOCIATION
2111 Smith St., Orange Park, FL 32073

SOUTHWEST HARDWARE & IMPLEMENT ASSOCIATION
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VIRGINIA FARM & INDUSTRIAL EQUIPMENT DEALERS ASSOCIATION
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